

FIG.1

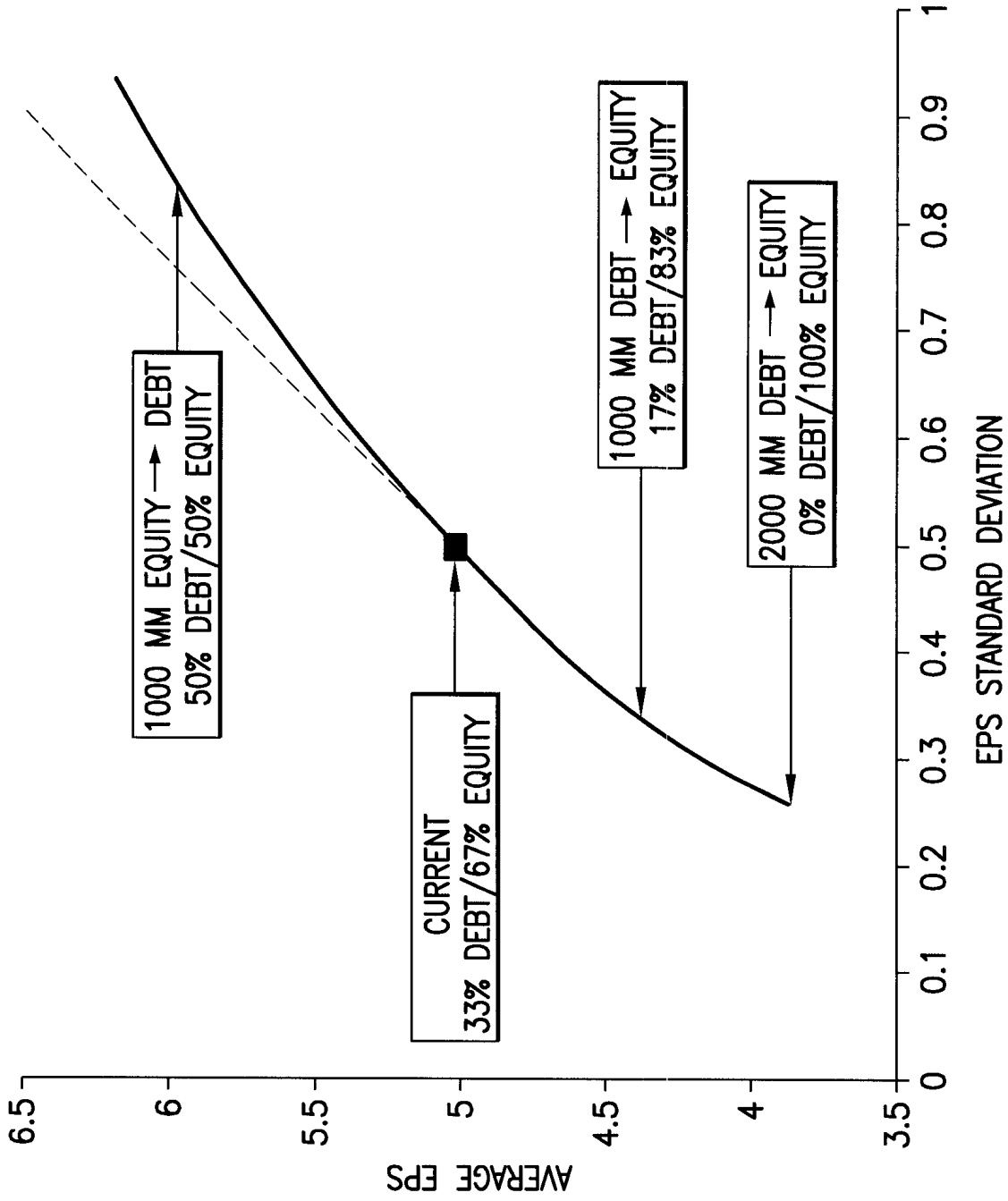


FIG.2

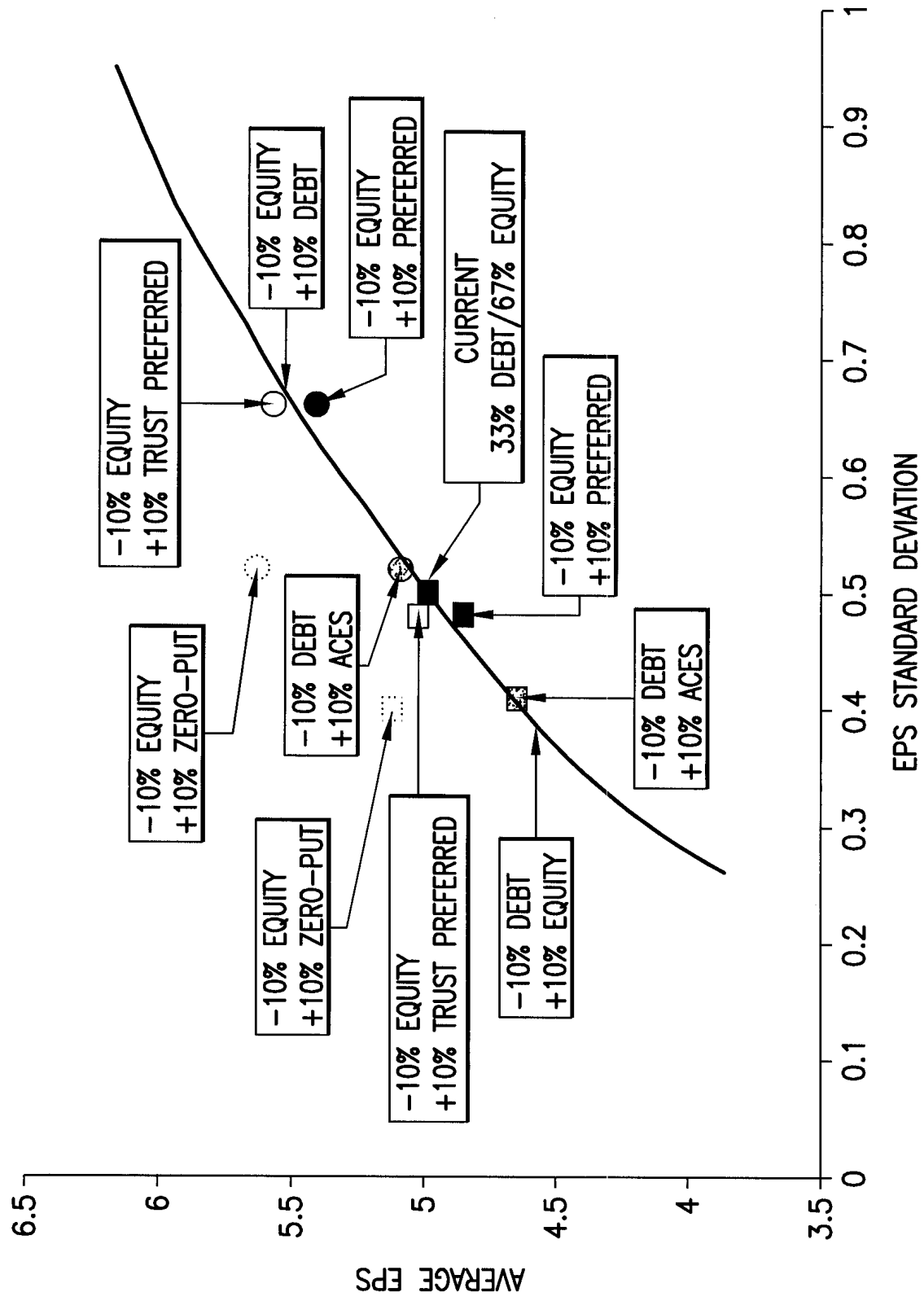


FIG.3

1. VALUE AT THE FIRM FRAMEWORK:

- NOT FROM COMMON SHAREHOLDERS' PERSPECTIVE
- NO EXPLICIT TRADEOFF BETWEEN BENEFIT AND RISK
- HARD TO QUANTIFY

2 SHAREHOLDERS' PERSPECTIVE:

- VALUE OF FIRM = SHAREHOLDERS' VALUE + OTHER STAKEHOLDERS' VALUE
 - MANAGEMENT ACTS IN INTEREST OF SHAREHOLDERS TO MAXIMIZE PER SHARE VALUE (OR SHARE PRICE)
- MM I: SHARE PRICE INDEPENDENT OF LEVERAGE

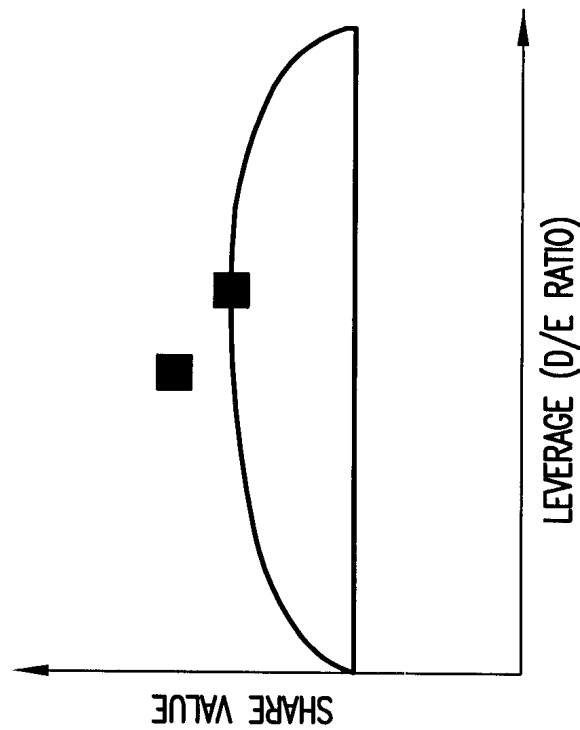
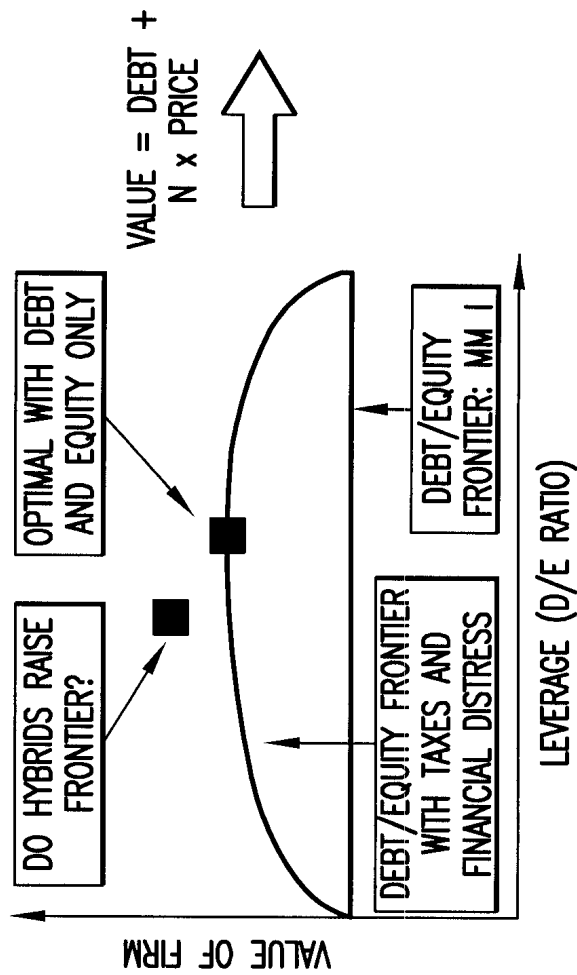
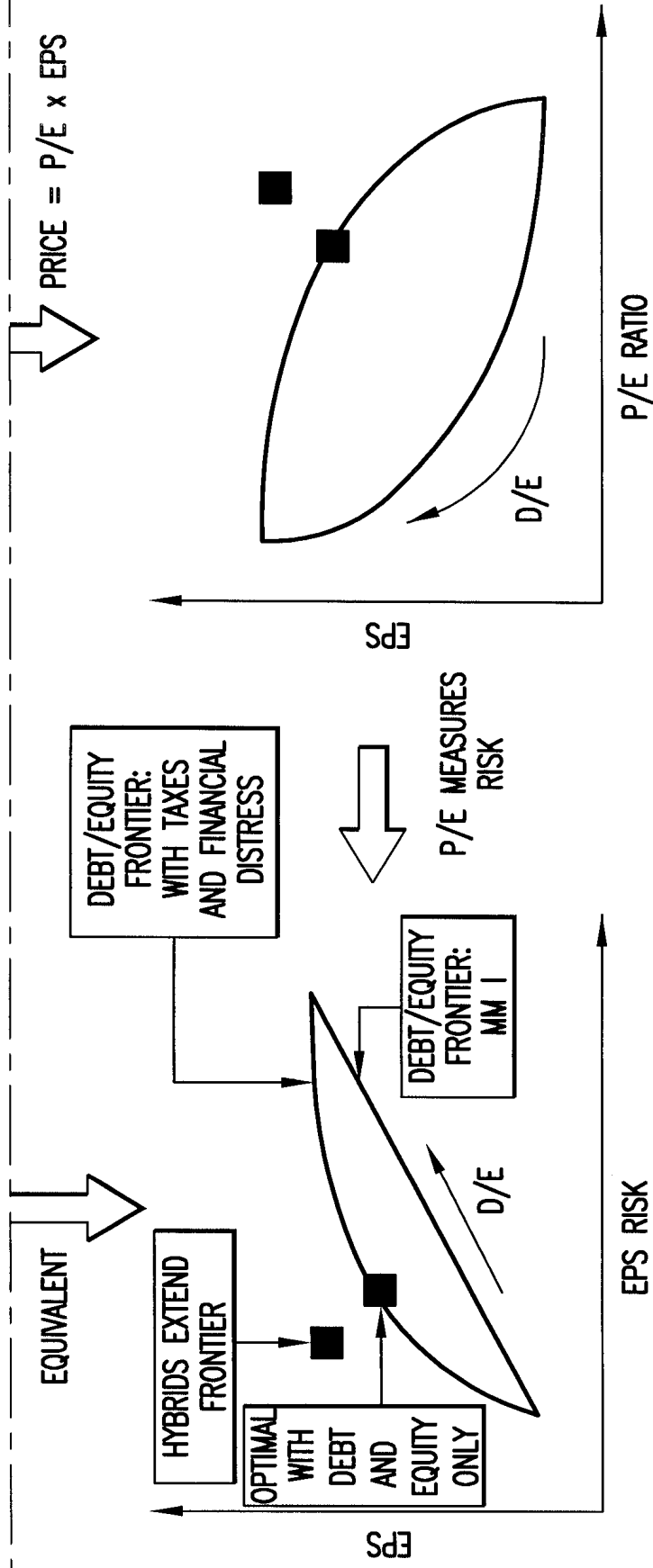


FIG.4A

FIG.4B

FIG.4

FIG.4A



4. EPS FRAMEWORK:

- COMMON SHAREHOLDERS' PERSPECTIVE
- EXPLICIT TRADEOFF BETWEEN BENEFIT AND RISK
- EASY TO QUANTIFY

3. EXPLICIT TRADE-OFF PERSPECTIVE:

- SHARE PRICE = $\text{EPS} \times \text{P/E RATIO}$
- INCREASING LEVERAGE INCREASES EPS BUT DECREASES P/E
- MM I: EPS AND P/E EXACTLY INVERSELY PROPORTIONAL

FIG.4B

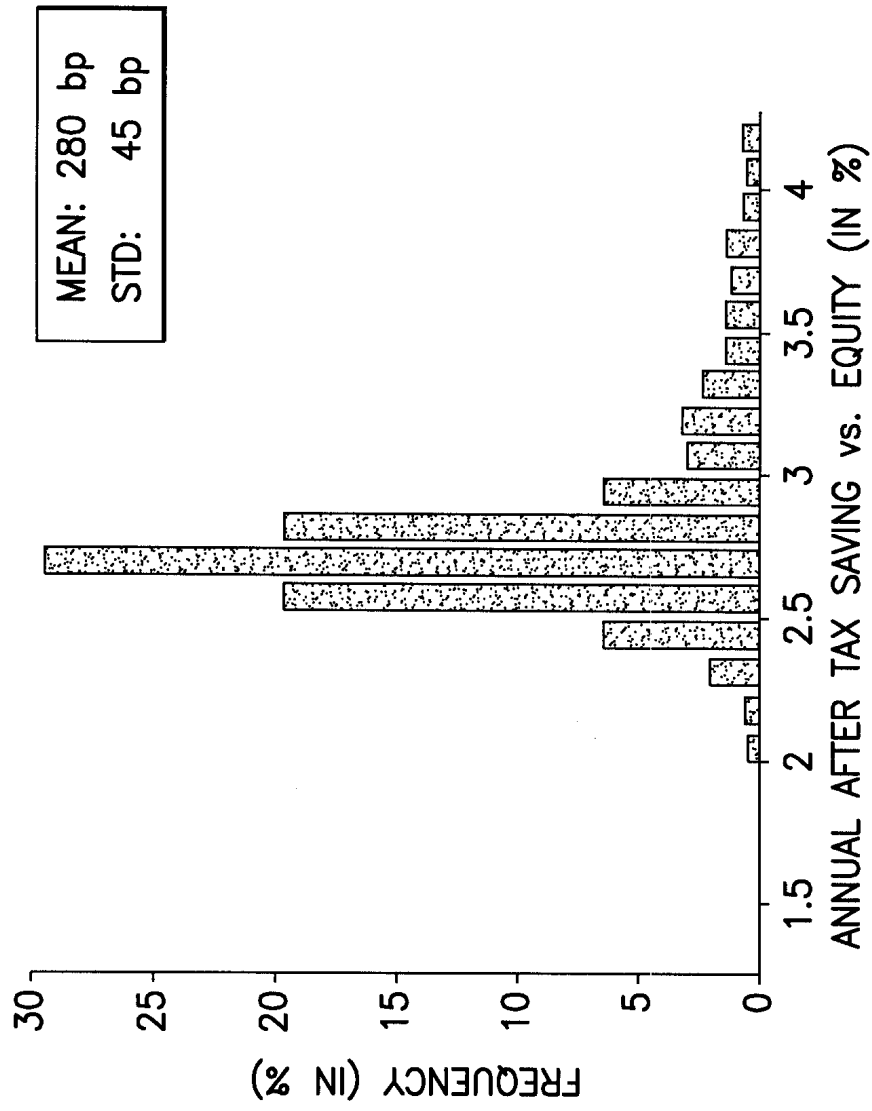


FIG.5

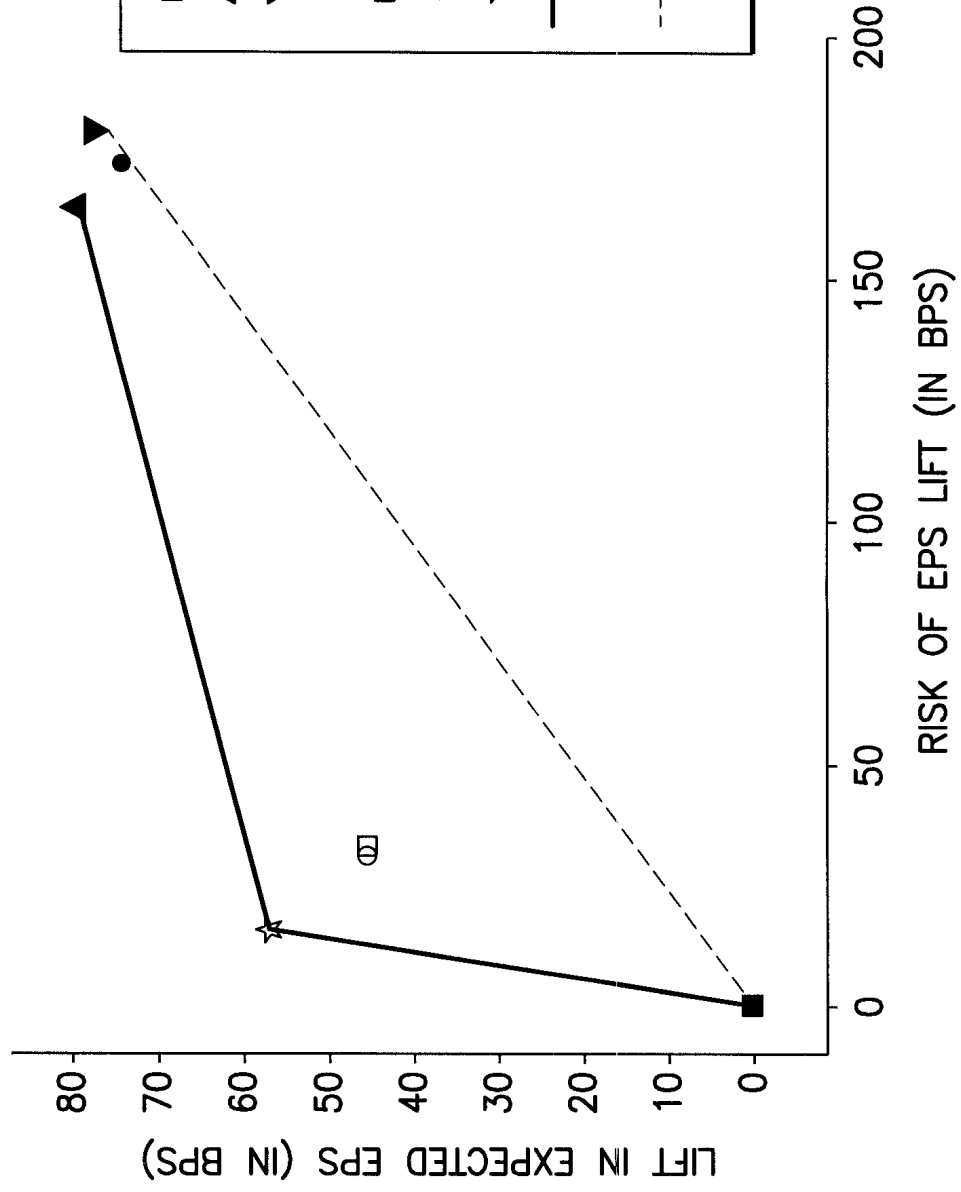


FIG.6

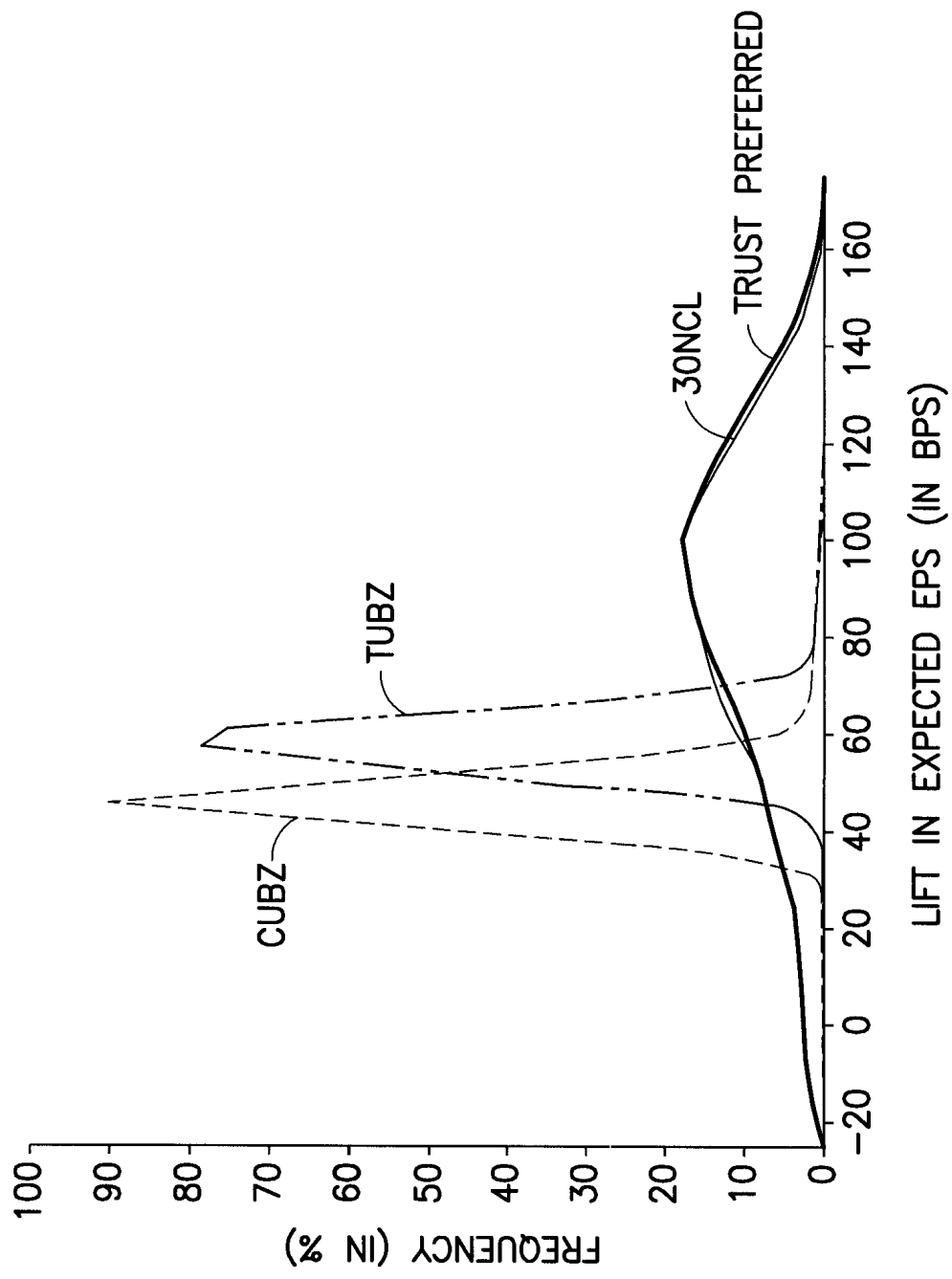


FIG.7

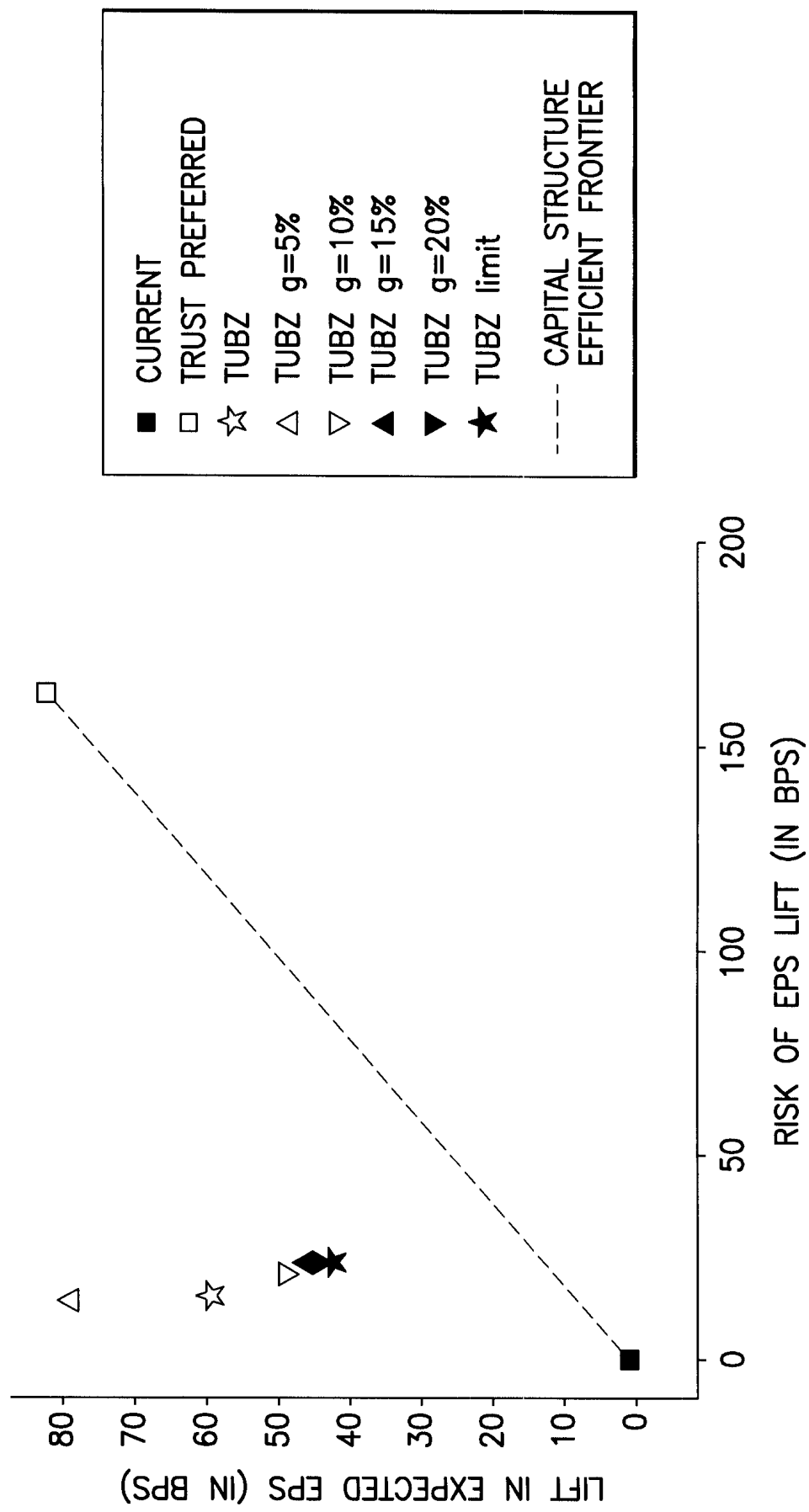


FIG.8

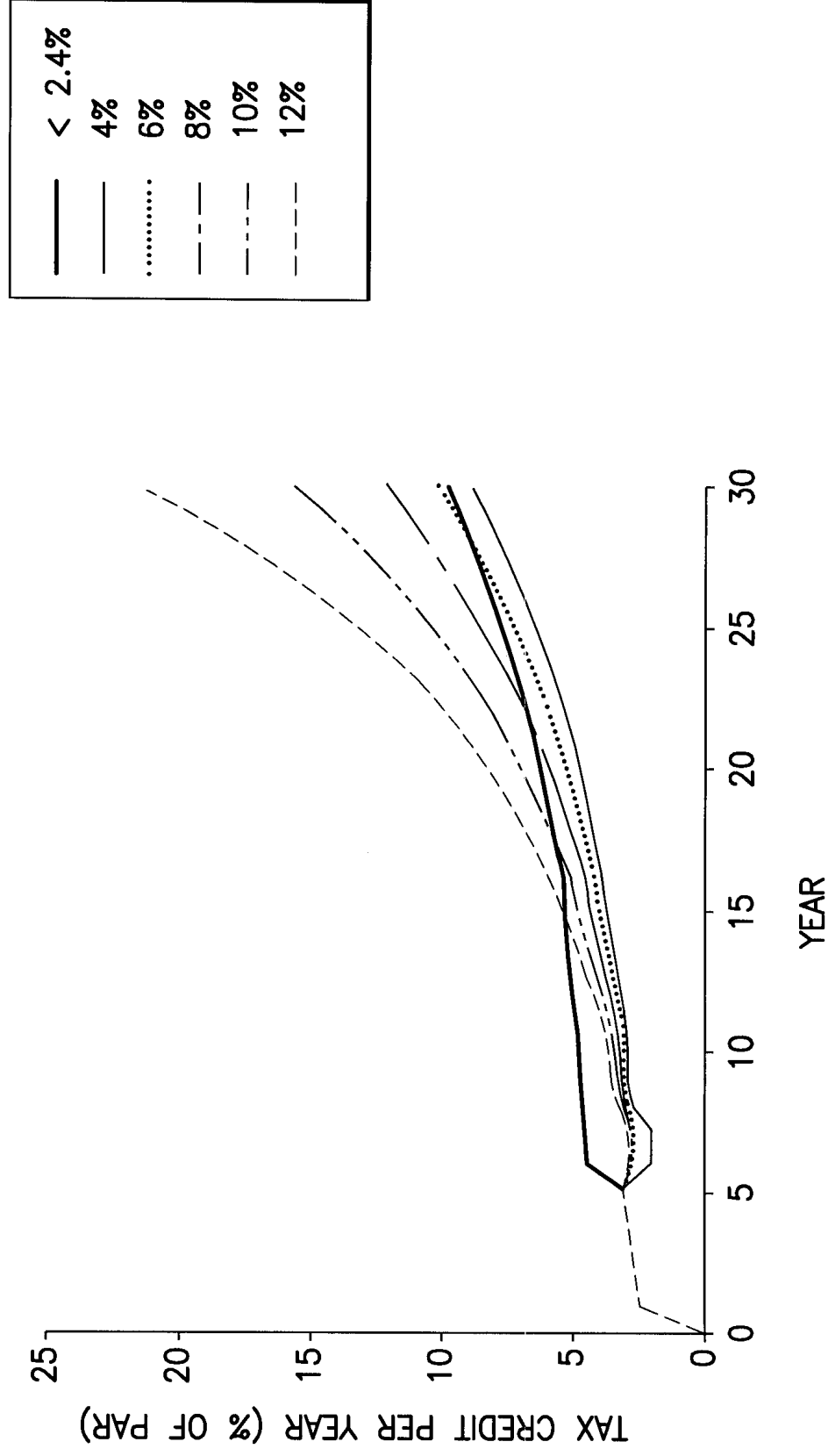


FIG.9

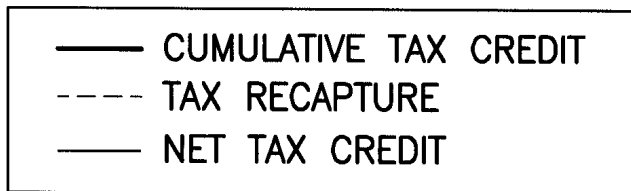
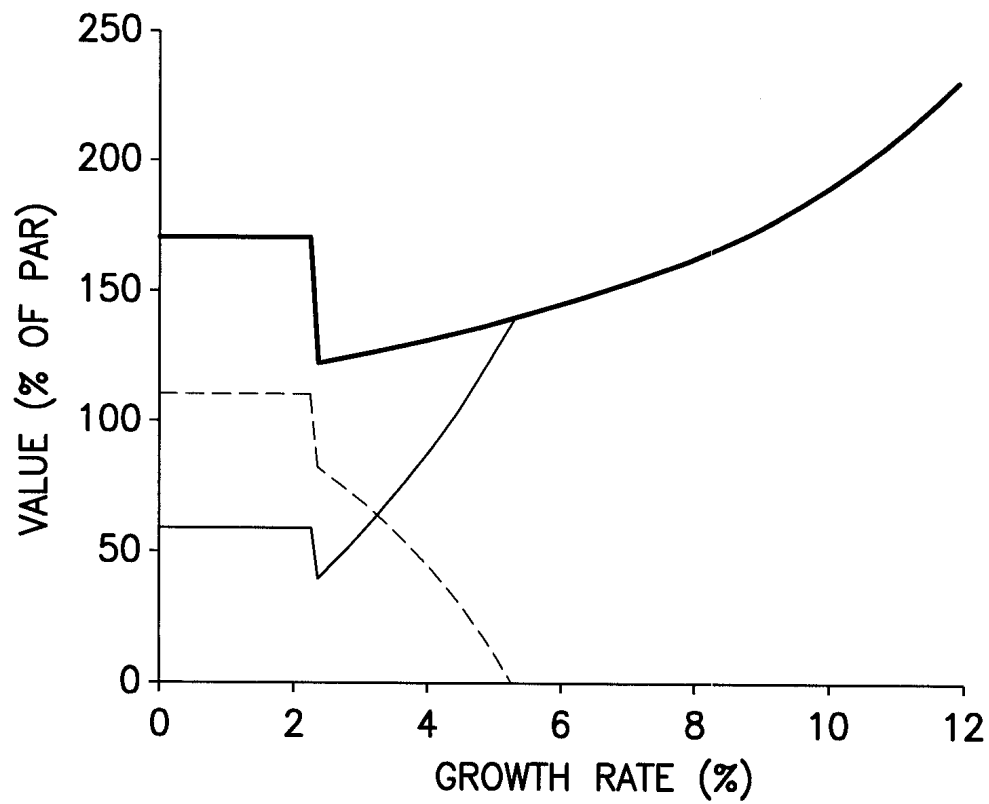


FIG.10

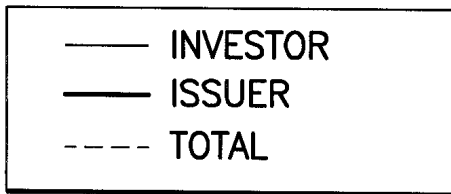
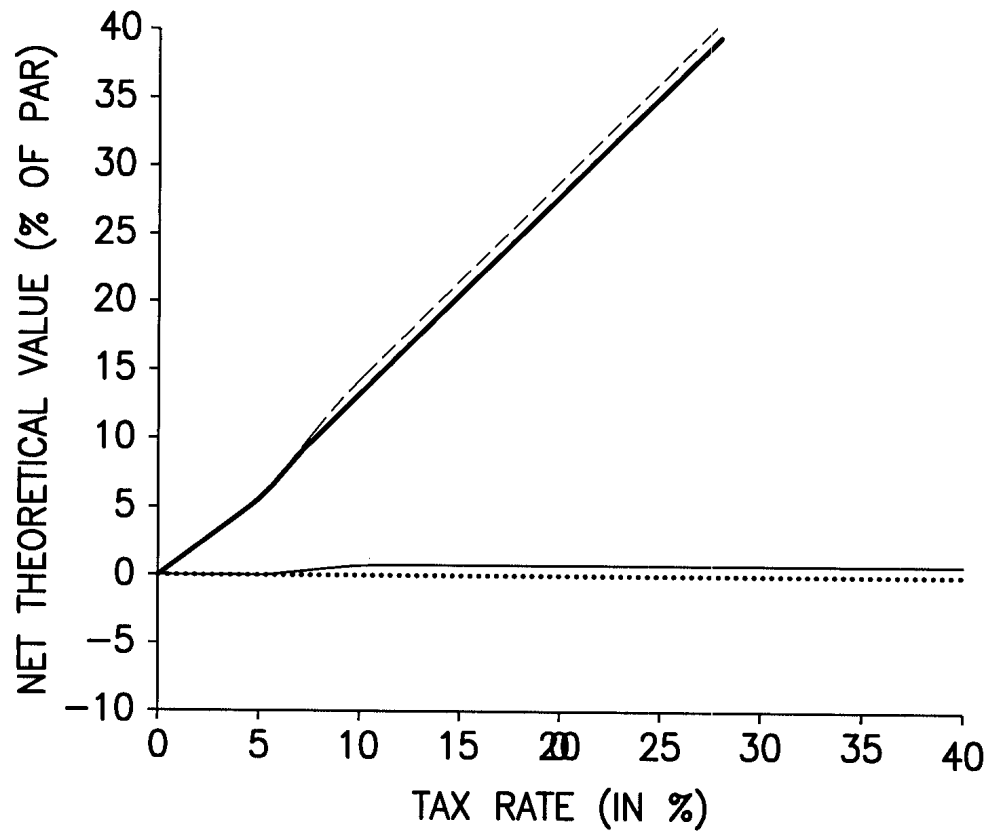


FIG.11

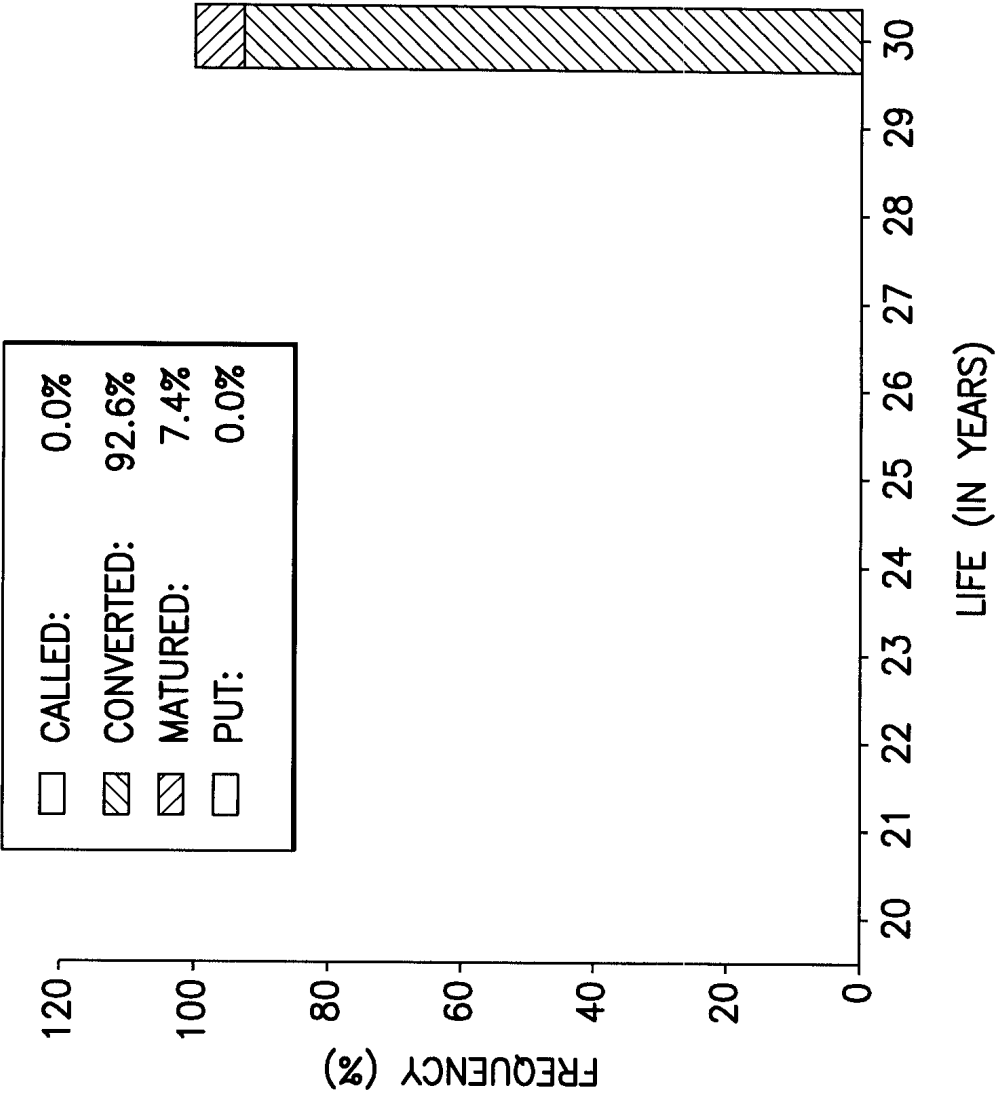


FIG.12

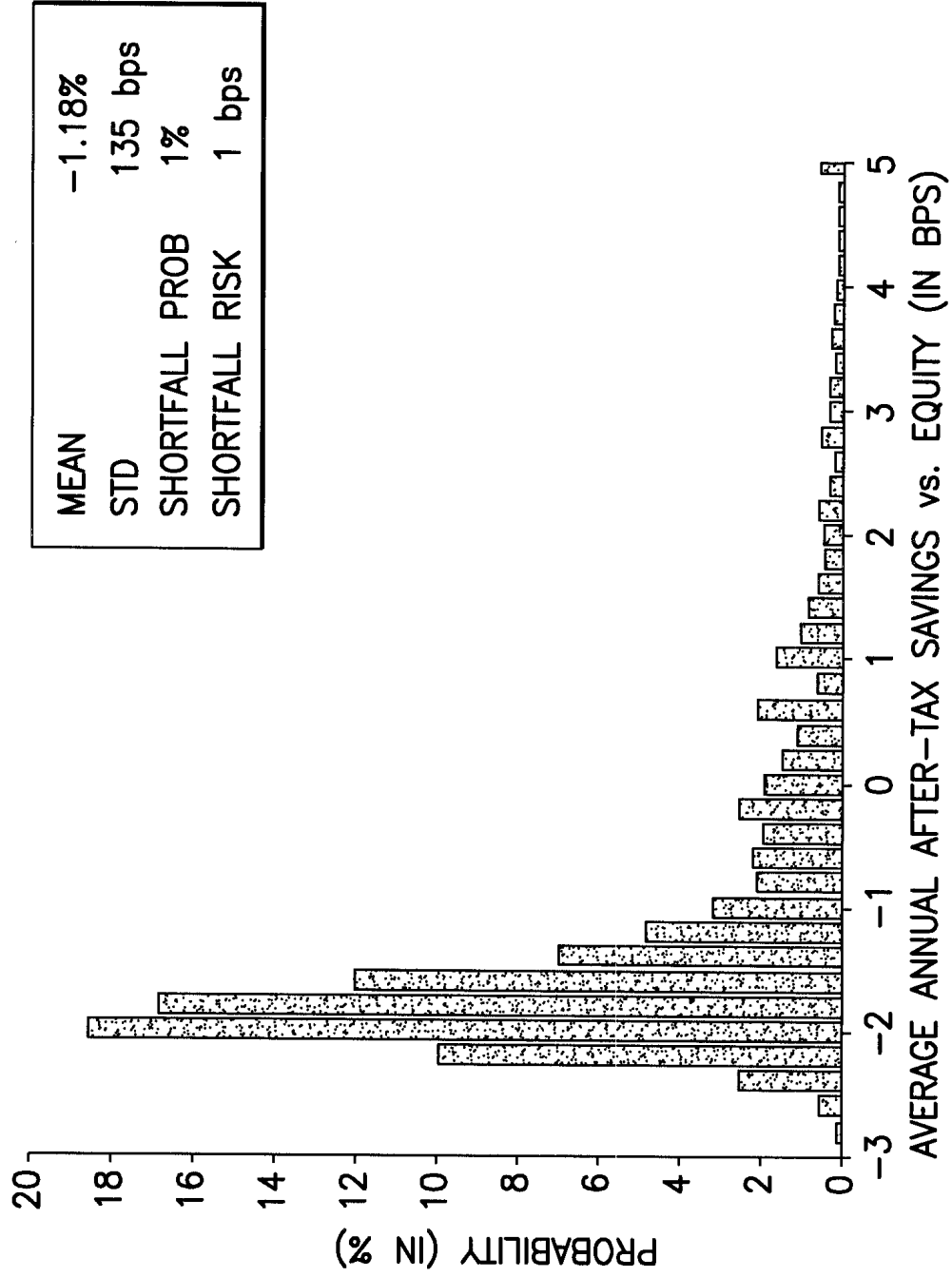


FIG.13

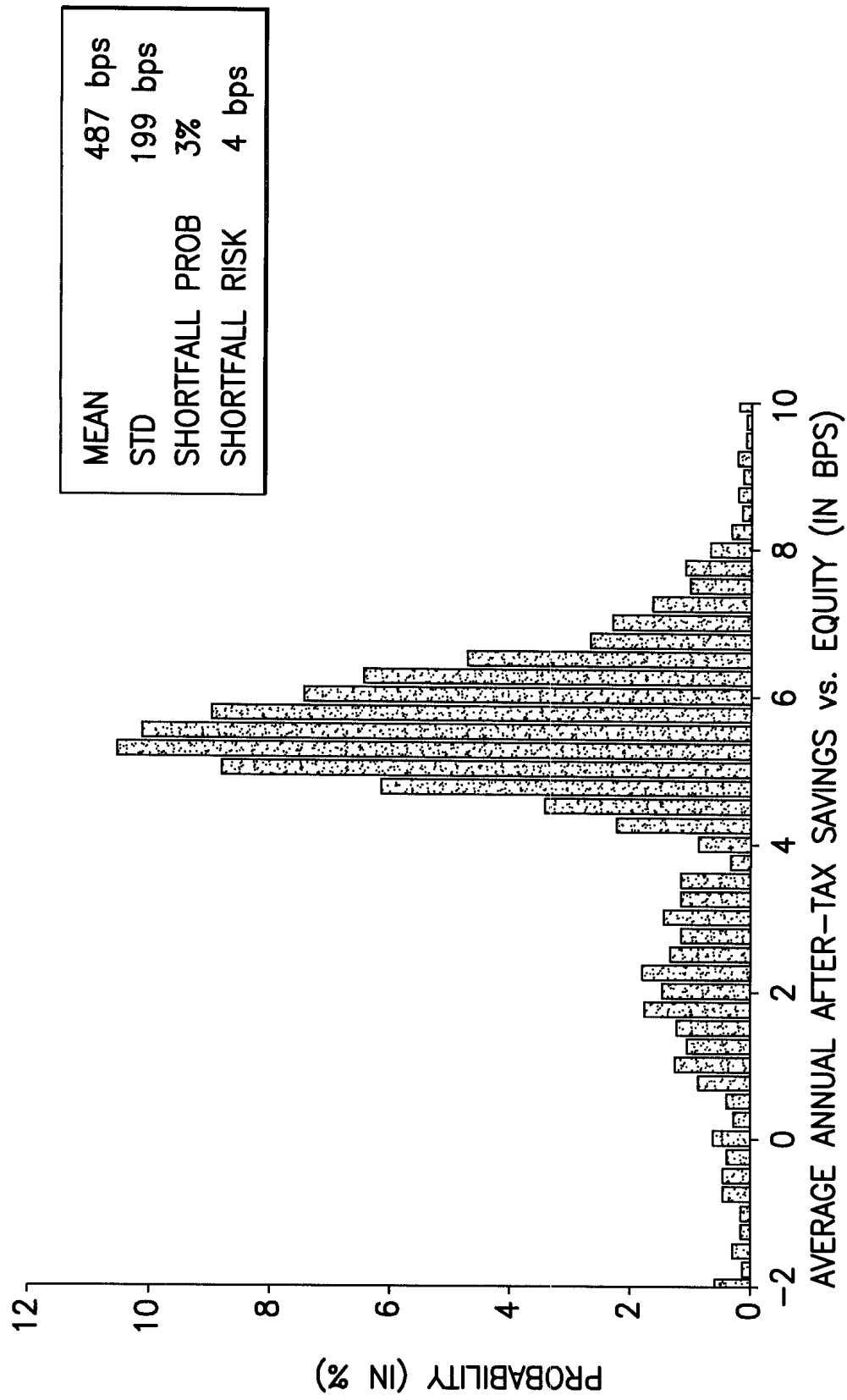


FIG.14

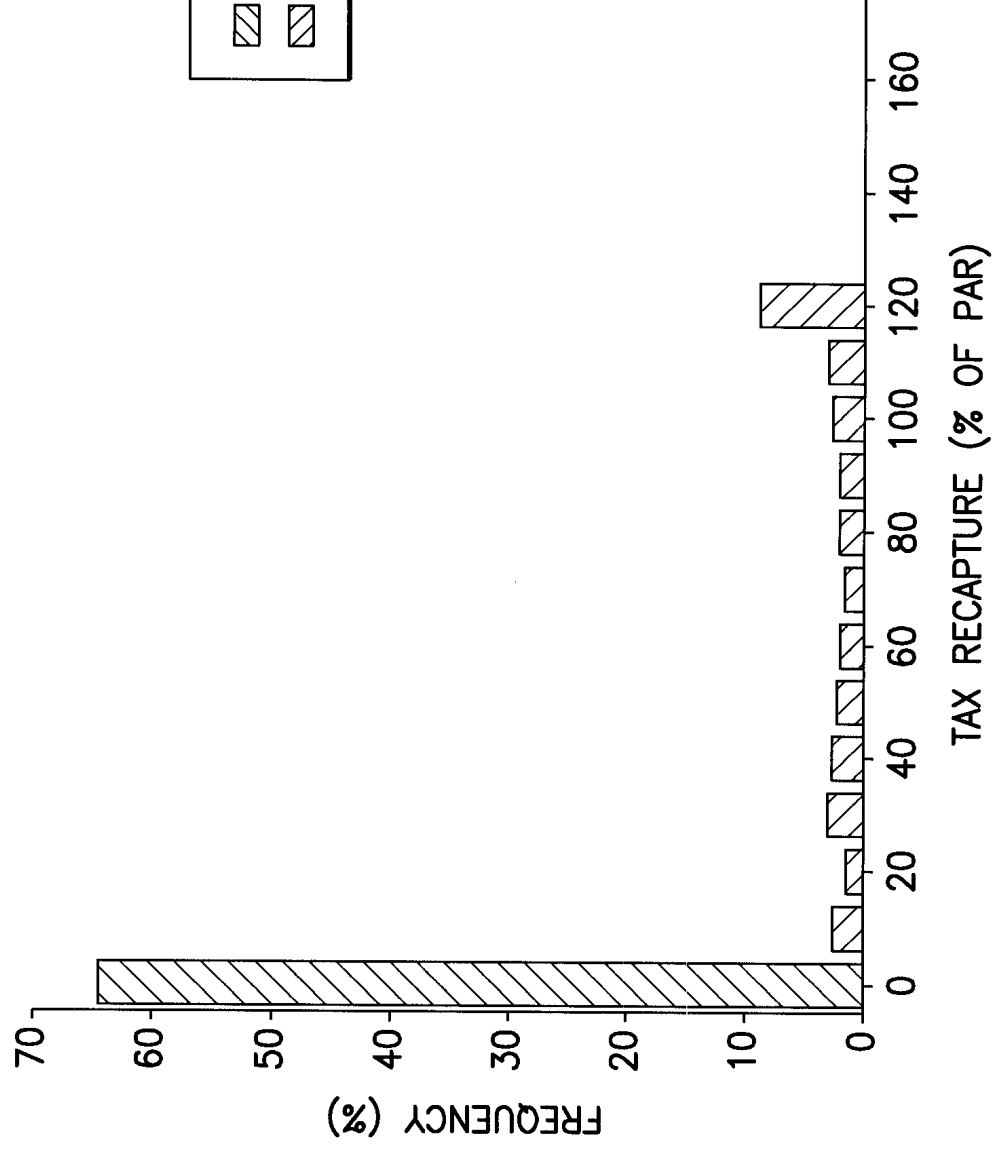


FIG.15

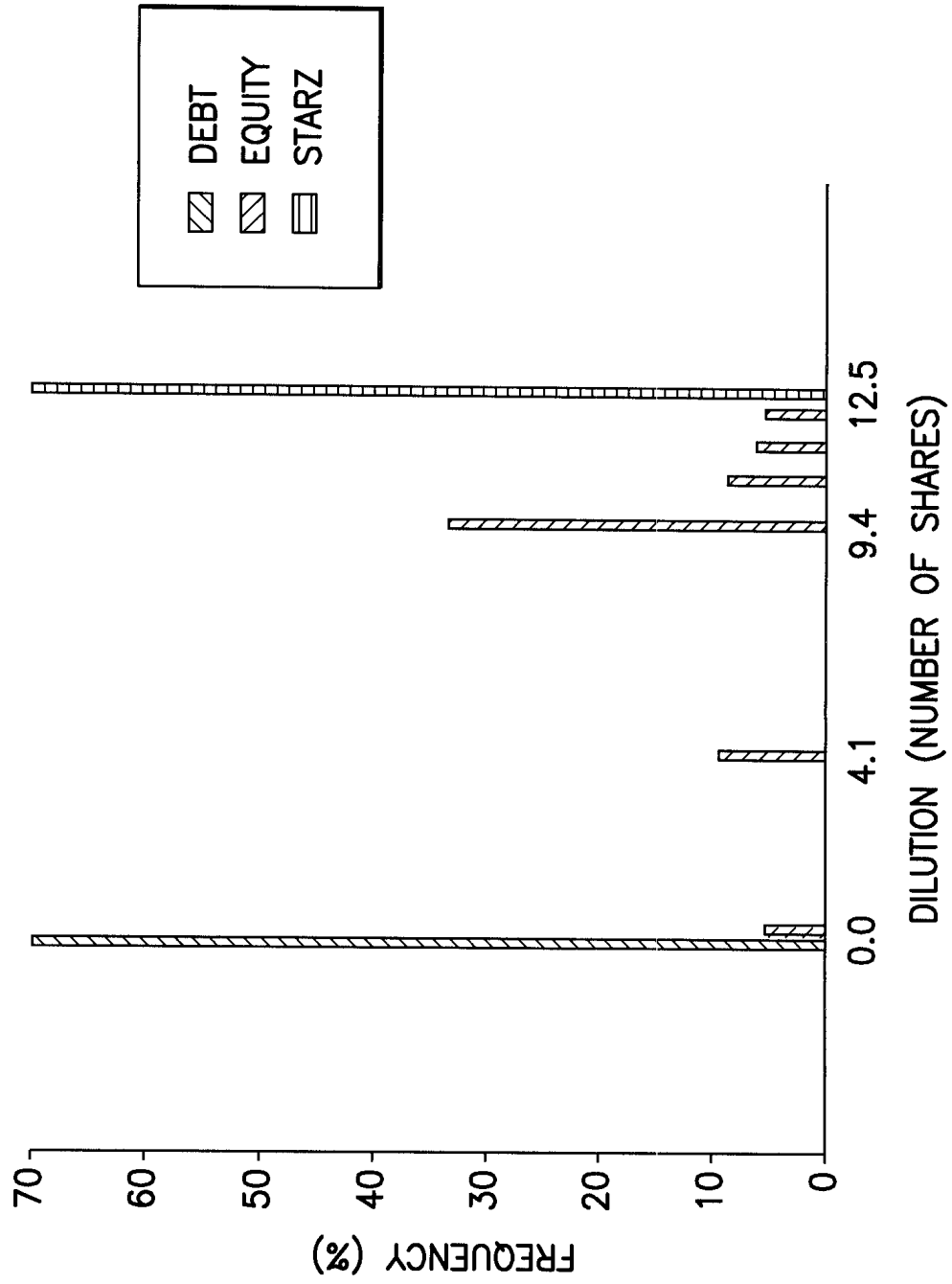


FIG. 16

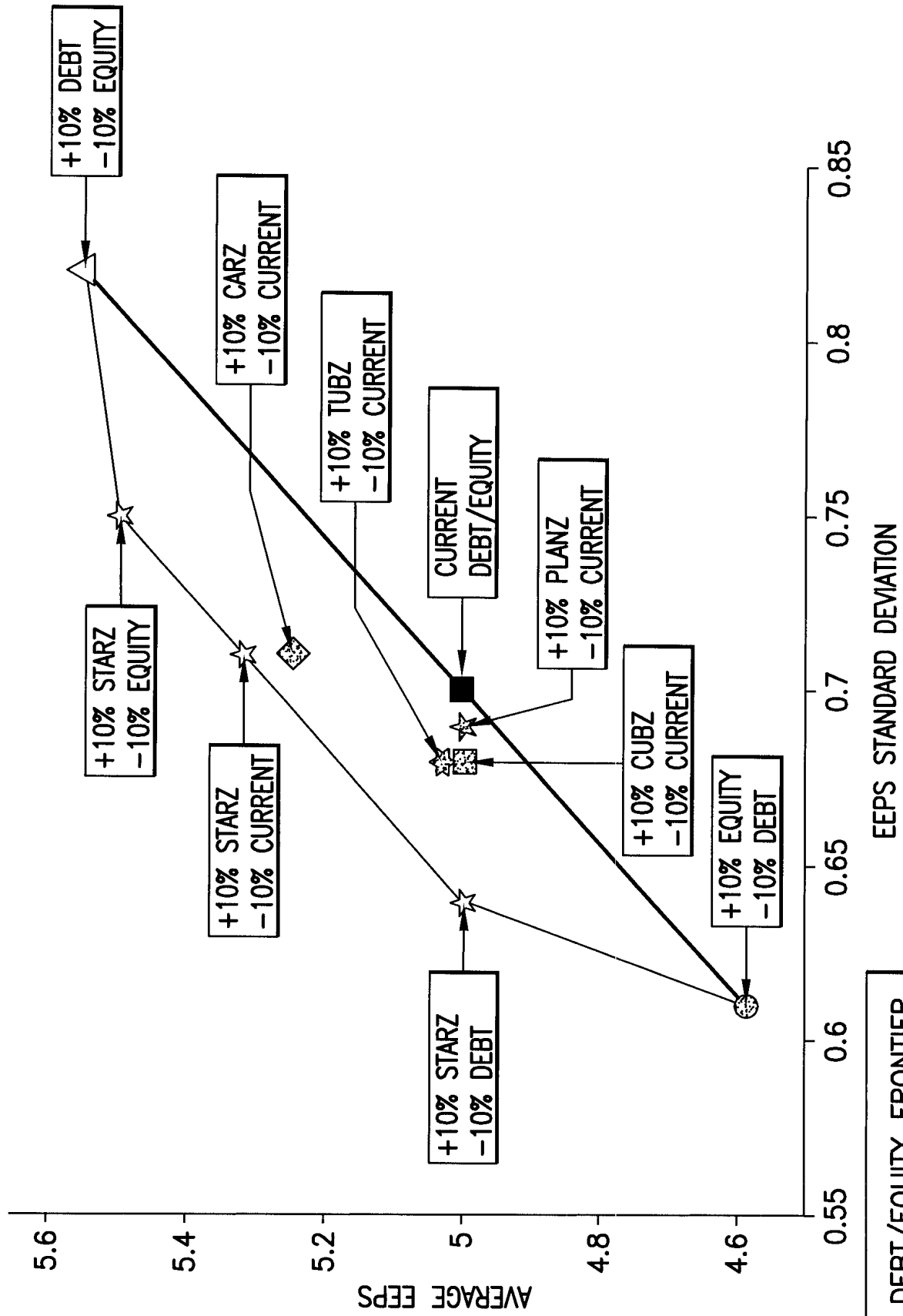


FIG.17

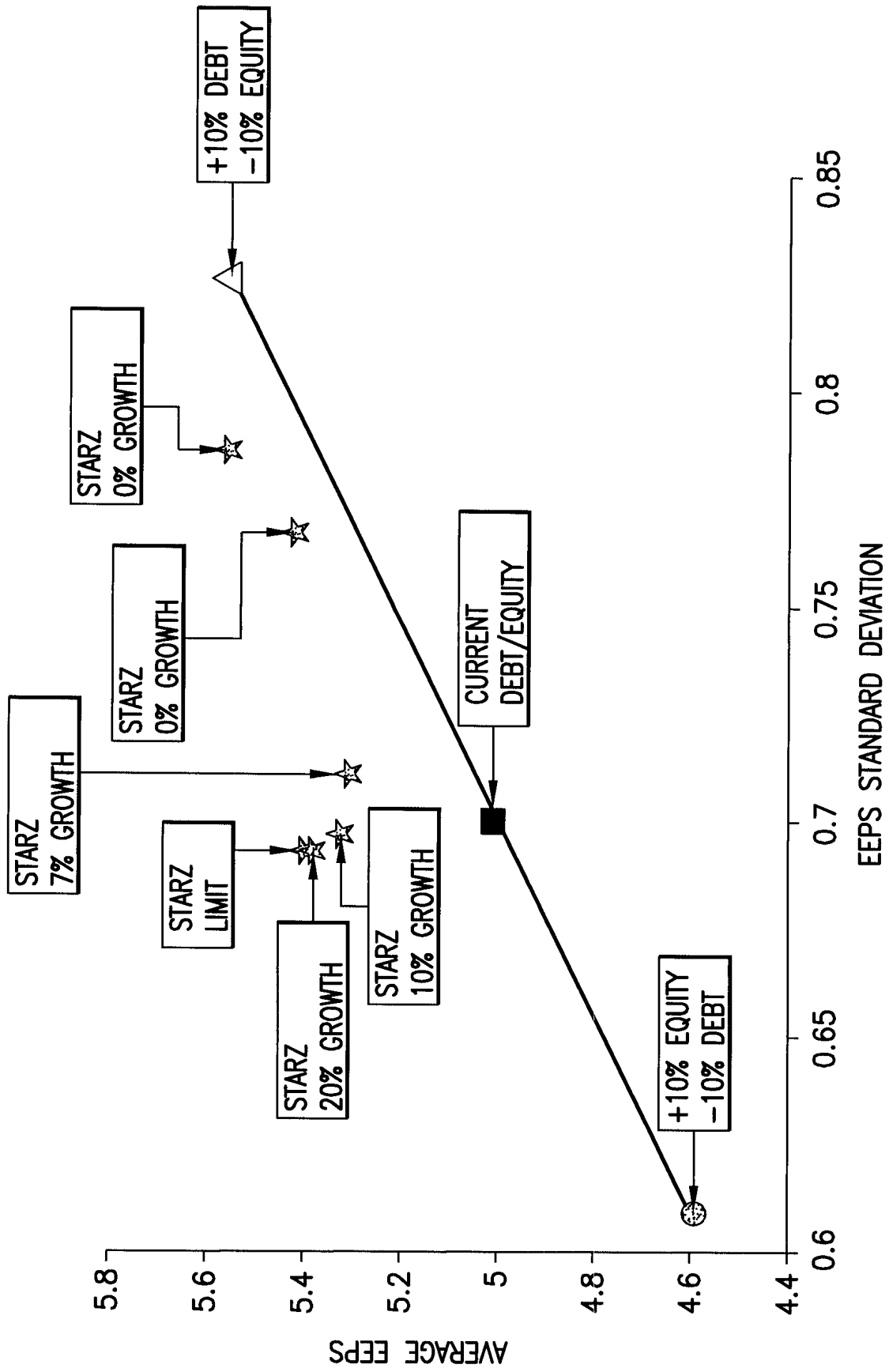


FIG.18

— DEBT/EQUITY FRONTIER